




STAFF REPORT

Meeting Date: April 14, 2021

To: Mayor and Members of the Town Council

From: Town Manager Laura Allen 

Subject: FY 2022 Proposed General Fund Budget and Tax Rates – Ordinance 183

Recommendation

Staff recommends the Council introduce, read, and hold a public hearing on Ordinance 183 for the purpose of adopting the Town General Fund Budget and establishing the real estate property tax as well as other taxes and certain fees for Fiscal Year 2022.

Background

Each year the Town prepares an operating and capital budget for the coming fiscal year. As part of that process, the Council engaged the community to determine what concerns they have so a funding plan could be developed to address them. Based on the survey responses from the community and the virtual Budget Town Hall meeting the Council identified four priorities and the budget was prepared with those in mind.

The budget supports the Council's priorities based on community input in the following ways:

Priority	Budget
Condition of Streets and Sidewalks, Pedestrian and Bike Safety	<ul style="list-style-type: none">• \$210,000 Roadway Repairs• \$30,000 Walkable Bikeable Recommendations
Recreation and Parks	<ul style="list-style-type: none">• Civic Organizations• National Night Out• Town Center Improvements (\$205,000 Bond Bill)
Sustainability	<ul style="list-style-type: none">• Green Team• Thriving Earth Exchange Tree Canopy Protection Project• Campus Community Connections• Balanced Budget• \$16,000 Urban Forest budget

Effective Communication	<ul style="list-style-type: none"> • Composting program continuation • Development of Communications Policy • Translation services provided by Police Department Administrative Associate • Bulletin directly mailed to all households • E-Newsletter published twice a month
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Fiscal Impact

The FY 2022 Proposed Budget is balanced at \$4,015,577 which is 2.5% more than the expenses associated with the FY 2021 Adopted Budget. Since the April 5th Work Session, the balance of the Neighborhood Watch Trailer Reserve (\$6,300) was added to the FY 2022 Proposed Budget to fund the purchase of a propane tank and decals for the trailer. These items were not budgeted in FY 2021.

The Proposed Budget maintains the residential real property tax rate of \$0.545 per \$100 of assessment which includes \$0.03 of the total of assessed valuation for the Infrastructure Improvement Reserve to fund major infrastructure projects. The current tax rate is expected to generate \$100,283 of new real property tax revenues.

Analysis

Since the April 5th Work Session, the Town's Workers' Compensation Insurance renewal was received and the rate for FY 2022 will increase by approximately 7%. The Proposed Budget assumed an increase would occur, so no adjustments are needed at this time.

The section below itemizes the changes made to the FY 2022 Proposed Budget between the March 15th and April 5th Work Sessions, the answers to the questions raised by the Council on March 15th and a general summary of the major components of the FY 2022 Proposed Budget. This information is repeated from previous Staff Reports for the benefit of the members of the public attending the public hearing on Ordinance 183.

A. Changes between the March 15th and April 5th Work Sessions

1. Revenues

- a. Increased Building Permits (#323-300) to \$11,000 to reflect activity. We are currently at \$14,000 in that revenue account.
- b. Added \$205,000 for the Bond Bill (#335-976) – the Bond Bill is essentially a grant from the State of Maryland. The Town incurs no debt and there's no matching contribution required from the Town.

2. Expenses

- a. Reduced salaries in Administration (130-001) to reflect hiring the Town Clerk close to the entry point of the pay range. A recently completed salary analysis of Maryland Municipal Clerks indicates that salaries range from \$31,000 to \$51,000 with \$42,000 as the median. The Town's pay range for this position is \$53,000 to \$69,000.

- b. Health Insurance premiums increased by 14.1% due to higher-than-expected claims activity. A 10% increase was factored in for planning purposes and reflected in the March 15th document. To help offset the additional increase the following changes were made:
 - i. Reduced capital equipment in Administration (130-035),
 - ii. Reduced miscellaneous benefits (560-067), and
 - iii. Shifted new oven for Town Center to the Bond Bill.
- c. Added \$205,000 for the Town Center improvements funded by the Bond Bill.

B. Questions from the March 15th Work Session

- a. Why is our Rental License Fee high?

I did some follow up with Chief Antolik regarding rental license fees. He said the Police Department gets substantially more calls for service for rental properties than the owner-occupied ones. He indicated the rental license fee was increased in 2017 to help address some of the issues the Town was having getting landlord to maintain their rental properties at that time. The higher fee was intended to discourage the less serious landlords from coming to Berwyn Heights. From his perspective the increased rental fee improved the situation dramatically. I recommend leaving the fee as it is for now.

- b. What is the difference between Capital Outlay/Equipment and Capital Projects?

Capital outlay is the category we use for non-consumable products that have a useful life of more than 1 year, such as computers. These items have to be recorded differently under GAAP (Generally Accepted Accounting Principles. Based on the budget, it appears the Town has set a \$500 capitalization limit. Here's a link to a brief explanation of capitalization thresholds from the GFOA website - <https://www.gfoa.org/materials/capitalization-thresholds-capital-assets>.

Capital Projects are the big-ticket items that add value or increase the number of Town assets, such as constructing a new road, major repairs to an existing building, or adding a building.

- c. Do our Cable Franchise Fees include internet revenues?

Cable Franchise Fees do not include the internet.

- d. Why did our HURS funding decrease?

Based on the HURS Report on the MML website, Berwyn Heights' allocation for FY 2021 was \$129,521 but a larger amount was budgeted.

That's why the amount in the proposed budget looks lower. If you compare the FY 21 and FY 22 numbers in the MML report, you'll see an increase. Here's a link to that report:

<https://www.mdmunicipal.org/DocumentCenter/View/7962/HUR-estimates-FY-21-and-22>

- e. Why is no money in the Vehicle Replacement Fund budget for FY 2022?

The Town Manager is not recommending any transfer to this fund for FY 2022.

- f. When is the next real property tax reassessment?

New reassessment notices will be mailed out to properties in Berwyn Heights, Election District 21, at the end 2021 with the new market value as of January 1, 2022 for the tax year beginning 7/1/2022.

- g. Why do the composting costs look high?

The previous Treasurer posted the composting signs in the composting service account which made it seem like the cost of the services are higher than expected. We moved those expenses to the PW signs account. You'll notice that change in the attachment.

- h. Can we send out information to our residents on how to obtain tax relief?

Information on the State of Maryland Homeowners' Property Tax credit and the Berwyn Heights Residential Property Tax Credit programs was included in the March 26th E-Newsletter. We're preparing information for the May Bulletin.

Staff does not have a schedule of street projects yet. The Interim PW Director is updating the Street Condition Report which will guide that work.

C. Status Quo Budget

Staff is recommending a status quo budget, pending more information on the American Rescue Plan Act (ARPA). The budgets for civic organizations are the same. Staffing levels remain essentially the same, with one exception, the Town Clerk position increases from 90% to full-time and the Public Information Aid position is not funded. A 1.5% Cost of Living Adjustment (COLA) and a 1% merit increase for all employees has been included in the Proposed Budget. Based on the U.S. Bureau of Labor Statistics website, the Consumer Price Index for the Washington/Baltimore area increased by 1.5% in the past year. The COLA costs approximately \$20,000 and the merit increase costs \$25,000.

Due to concerns about the impact of COVID-19 on the Town's budget, large purchases were deferred in FY 2021. A number of these items have been reprogrammed into 2022:

1. Road repairs - \$210,000
This would include repaving, and relate curb, gutter and if feasible, sidewalk improvements. The Interim Public Works Director is updating the street condition list to inform this process.
2. Police Vehicle - \$50,800
The first is the replacement of the oldest of Department's police cruisers with a hybrid police interceptor at a cost of \$50,800. Following the purchase of two interceptors in FY20, this will be the third hybrid added to the Department's fleet. Council may choose to fund a nonhybrid vehicle for \$30,000.
3. Public Works Vehicles - \$353,340
 - a. Vehicle replacement: Three vehicles are proposed to be replaced through the Vehicle Replacement Fund.
 - i. F350 Super Duty Truck, chassis only, at a cost of \$50,503. This vehicle is one of the standard workhorses of the department. The 2007, current stainless-steel body will be mounted on a new chassis, and the old one will be sold with the proceeds going in the Vehicle Replacement Fund.
 - ii. The 2016 Freightliner 25 cubic yard refuse truck will be replaced with a 2021 Freightliner 29 cubic yard refuse truck equipped with cart tippers, at a cost of \$199,000. The 2016 vehicle will remain in service.
 - iii. The 2007 leaf-vacuum will be replaced with a 2021 model. The current leaf vacuum is at the end of its useful life and has a history of repair issues.

Conclusion

Staff recommends the Council introduce, read, and hold a public hearing on Ordinance 183 for the purpose of adopting the Town General Fund Budget and establishing the real estate property tax as well as other taxes and certain fees for Fiscal Year 2022.

Attachments:

- A. Ordinance 183
- B. FY 2022 Proposed General Fund Budget